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ABSTRACT

A study analyzed the use of third-party credibility as a deliberate and systematic public relations strategy to regain credibility for an organization faced with public hostility. Four types of third-party usage are: citizen participation, outside investigation, adversarial advocacy, and employee dissemination. Third-party credibility as a public relations strategy to counter the negative effects of hostility is increasing in use and sophistication. However, it is far from being a panacea for it requires a serious degree of commitment on the part of management and a deep involvement of third parties in the organization's operations. The risks that are involved in this strategy are many and must be understood fully and weighted carefully before proceeding. Included in the study is the use made of oustide investigators by E.F. Hutton and the General Public Utilities Service Corporation, which operates the nuclear generating plant at Three Mile Island. (SRT)

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USE OF THIRD-PARTY CREDIBILITY IN HOSTILE SITUATIONS

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ABSTRACT

Use of Third-Party Credibility in Hostile Situations

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Presented to the Public Relations Division
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Hostility is an "intense ill will" that manifests itself through negative action against organizations and corporations. Because of the nature of hostility and the way it develops, it almost always is accompanied by substantial damage to an organization's credibility. This seriously hampers the organization's ability to communicate at a time when getting across its messages is criticial. Therefore, one of the organization's first goals in dealing with hostility must be to regain its credibility. This study analyzes the use being made of third-party credibility as a deliberate and systematic public relations strategy to regain credibility for an organization faced with public hostility. The paper identifies four types of third-party usage: citizen participation, outside investigation, adversarial advocacy and employee dissemination. In the context of recent case studies, the paper looks in detail at the types of third-party credibility used, discusses specific variables that have impacted on their effectiveness, and summarizes general criteria for achieving successful results in similar circumstances. Included in the study is the use made of outside investigators by E.F. Hutton and GPU Nuclear (Three Mile Island).

USE OF THIRD-PARTY CREDIBILITY IN HOSTILE SITUATIONS

INTRODUCTION

The dictionary defines hostility as "antagonism, opposition, or resistance in thought or principle." In more practical terms, hostility is an "intense ill will" that manifests itself through negative action. In the case of public hostility against organizations and corporations, that negative action comes in many forms: demonstrations, consumer boycotts, verbal and written attacks, opposition to plans and policies, investigations and restrictive legislation. The action may be organized or informal. For example, consumers' refusal to buy Tylenol after the Chicago poisoning deaths was not an organized product boycott, but it was, nonetheless, a manifestation of fear-generated hostility.

Because of the nature of hostility and the way it develops, it almost always is accompanied by substantial damage to an organization's credibility. This seriously hampers the organization's ability to communicate at a time when getting across its messages is critical. Therefore, one of the organization's first goals in dealing with hostility must be to regain its credibility. But how can the organization succeed when it needs credibility to be heard and believed?

One approach that is emerging as a deliberate and increasingly sophisticated strategy is use of third-party credibility--the intervention of third parties to generate

credibility on behalf of the affected orgnization. Use of third parties in persuasion is not a new idea--only an application of the opinion-leader concept in the two-step flow of information and influence. Advertising and politics make extensive use of third-party endorsements and testimonials, and publicity works on the premise that a message gains credibility when disseminated through the news media. In these applications, however, the third parties enjoy a relatively passive position.

Not so with hostility applications. In these cases there is a high degree of involvement and/or participation by the third parties, especially where the hostility is potentially "life threatening" to the organization. This is apparent in the four classifications of third-party credibility that this study has identified:

1. Citizen third parties, usually serving on community or consumer committees, participate in solving an organization's problem, thus lending credibility to the proposed solution and increasing the possibility for acceptance.

2. Opinion-leader or outside-expert third parties act as advocates on an organization's behalf by disseminating the organization's messages or providing perspectives of their own. Or they may serve as neutral investigators on the public's behalf and recommend exoneration, forgiveness, or an agreed upon course of action that mitigates the hostility.

3. Adversarial third parties are convinced to repudiate their own hostile actions and to recommend that others do the

same. They may even assume functions of role #2.

4. Employee third parties disseminate an organization's messages to internal and external peer groups. They also may assume role #1 as problem solvers.

Obviously, there are risks involved in such high degrees of third-party involvement. But, usually, the risks are justified by the seriousness of the situation. Whether the strategy is successful, and under what conditions, is another consideration--and the subject of the rest of this paper. Recent public relations case studies are used as the basis for making evaluations and recommendations.

CITIZEN PROBLEM SOLVERS

An important cause of hostility is a perception on the part of citizens and consumers that they have no control over many important decisions that affect their lives. The closer proximity a decision has to a public, the greater the impact, and the stronger the feelings of helplessness, the more intense the hostility is likely to be. In response to this phenomenon, consumer committees and citizen advisory panels have been created in many sectors to facilitate public involvement in decision making and problem solving. This common form of third-party credibility is used often by public utilities faced with customer dissatisfaction over rising energy costs and the disposition of complex issues like nuclear power. Several variations on this form exist with Pennsylvania Power and Light (PP&L) and South Central Bell Telephone (SCB).

Pennsylvania Power & Light has a long track record with public participation committees going back to 1969. Encouraged by its early efforts, the company has developed an extensive network of citizens groups, including a systemwide Consumer Advisory Panel (composed of representatives from consumer advisory panels in each of PP&L's six divisions), a Public Advisory Committee, local panels at all operating PP&L power plants, and even temporary single-issue committees. The local groups advise the company on subjects ranging from traditional consumer issues such as billing and rates to waste disposal and modification of power plants. The corporate-level Public Advisory Committee's duties have evolved to include responsibility for reviewing the company's energy conservations programs, long-range energy planning, rate proposals, public information and energy education materials, and Corporate Mission Statement (1).

Depending on the type and purpose of the committees, membership averages between 20 and 30 persons. Usually the company is more concerned about members having an interest in energy topics than reflecting strict demographics, but sometimes it feels it is necessary to proceed "very systematically" when setting up a new committee, especially where the company is outside its usual service area or where it has no previous community presence (2). In such cases, staff carefully research the area to identify elected officials and thought leaders from a wide range of organizations and diverse interests.

One hard and fast rule followed by PP&L is that its representatives may not serve as members or participate in the deliberations of any committees. Rather, they are available to assist the committees by providing information, setting up meetings and coordinating activities (3).

A more centralized approach to citizen participation in Alabama is South Central Bell Telephone's Consumer Advisory Panel. The panel consists of eight to 10 members representing the disabled, blacks, the elderly, women, small businesses and the general public. These members usually are identified and invited to serve by the company. In addition, three company representatives, including two at the policy-making level, serve on the panel. The entire group, which must meet a minimum of four times a year, is headed by a neutral coordinator (4).

SCB notifies members of meeting times and provides a written agenda to which members are invited to add items. Typical meetings, however, begin with informal roundtable discussions of member comments and concerns. Also, if the panel does not want to discuss an item on the formal agenda, it is dropped (5).

One interesting feature of SBC's commitment to the panel is that the company has agreed not to use the panel for publicity purposes. In fact, special permission had to be granted to include the panel as a case study in this paper. (Generally, PP&L does not publicize the meetings or work of its local committees in their communities.)

Evaluation

Because the hostility to be countered by citizen groups often is caused by perceptions of public helplessless, this type of third-party credibility works best as a preventative measure, or in early intervention. This is accomplished in several ways:

--Acting as an early-warning system to identify customer concerns and needs

--Serving as a sounding board for proposed company programs

--Providing two-way communications between the company and specific communities and special interest groups

--Creating a credible channel through which the company can disseminate accurate information on a timely basis

--Securing understanding and support for company goals

--Encouraging appropriate modification of company policies and procedures before major problems develop

Experiences of the two case study companies provide a number of examples of how these dynamics work. In 1983, a South Central Bell panel member advised the company that the local chapter of the American Association of Retired Persons (AARP) was opposed to a proposed rate increase. Because of the existing relationship with the panel member, who represented retirees, the manager of corporate and community affairs was able to get two hours to review SCB's position with AARP's state legislative committee. Nothing more came of the opposition (6).

In another example, after SCB initiated a service to provide callers with customer names, addresses, zip codes and phone numbers, a group concerned about potential invasion of privacy began circulating a petition to stop the service. A panel member affiliated with the group notified the phone company, which reviewed its position with members of the concerned group. The petition disappeared (7).

Despite such successes, the ability to assess citizen participation often is intangible. Criticisms may arise that projects could be implemented much sooner without the time and effort spent on public participation. That may be true, or it may also be true that opposition would delay the project even longer. PP&L operates on the rationale that no matter how good a proposal or solution may seem technologically or economically, or even legally, if it can't be implemented because of public opposition it's no good (8).

For example, this was experienced in a proposal to incinerate PCB-contaminated oils in a PP&L power plant. The proposal was approved by both the DER and the EPA. The company held an open meeting to tell the community what it planned to do, but there was so much public concern expressed that the company abandoned the project. The company invested money and time to retrofit its boiler, only to be prevented from using it after a spate of protests and negative publicity. If earlier public involvement had been sought, the results might have been different (9).

In a report on Public Involvement in Corporate Technology Decision-Making: The Case of Pennsylvania Power and Light, the authors wrote: "A public advisory committee is worthwhile because it creates one more mechanism through which different interest groups can work together to solve problems which have a direct impact on all of us. This is perhaps the greatest value and the one most intangible to assess. No doubt there are other forms of public participation which other corporations and government agencies can use. Presumably no two companies or corporations would proceed in exactly the same manner, but the crucial point is the recognition that public participation is important, even necessary, to the vital well-being of our society....The corporation perceives an added value of public involvement in the increase of credibility and good will that the utility gains in the general public's eye (10)."

Recommendations

Barriers to the success of public participation programs include lack of committee credibility, unrealistic public expectations, lack of committee authority, attempts to gain support for decisions already made, failure to translate concerns into timely action, and lack of a sincere commitment by management. To avoid these pitfalls the following criteria are recommended:

1. Assure that committee membership represents a true cross-section of interests, including those known to be critical to the company position. If only proponents serve, the committee's credibility could be endangered.

2. Preserve the objectivity of the membership and constantly reinforce its independence.

3. Clearly define the committee's purpose and responsibility at the outset. Don't expect too much from the committee, and on the other hand, make it understood that there are certain areas of authority that the company can't relinquish.

4. Develop a realistic organizational commitment to the committee process and secure top management's full endorsement. The commitment may require only that the company be willing to hear something it may not want to hear and to be responsive. There need not be a commitment always to do things the way the committee recommends, only that the company will give serious consideration to the input.

5. Determine the basic agendas by deciding what subjects are to be discussed, but maintain enough flexibility for member-generated issues to be considered. Provide adequate guidance so the committee can be effective.

6. Set budgetary and time limits up front. If the committee life is temporary, spell out the conditions. Don't create a committee or prolong its life if there is no work to be done.

7. Provide access to appropriate decision makers, at least indirectly through company representatives coordinating the committees.

8. Conduct ongoing training for staff and company representatives working with citizen committees. Provide education programs for committee members.

NEUTRAL INVESTIGATORS

When an organization is charged with mismanagement or wrongdoing, there is a direct assault on its credibilty to conduct business in the public interest. In the case of GPU Nuclear (a subsidiary of General Public Utilities Service Corp.), which operates the nuclear generating plant at Three Mile Island, hostility has developed both because of public fear of nuclear power since the 1979 TMI accident and because of concerns that the corporation's management lacks the competence and good character to operate the plant responsibly. Concerns about management's character have arisen out of charges that another GPU Service Corp. subsidiary, Metropolitan Edison Co. (Met Ed), had falsified safety reports and violated operating procedures at TMI when it was running the plant before the accident.

To counter the resulting hostility, GPU Nuclear in 1983 commissioned Admiral Hyman G. Rickover to conduct an internal investigation of the operations at TMI's undamaged Unit 1 reactor, which at the time of the investigation still had not received Nuclear Regulatory Commission (NRC) approval to be restarted. After two and a half months of reviewing management documents, interviewing a "representative sample of managers" and inspecting the plant and training facilities, Rickover and his team concluded that "GPU Nuclear Corporation has the management competence and integrity to safely operate the TMI-1 plant." The report also made five recommendations which it said would "enhance the operation of the TMI-1 plant," but which "were not considered necessary prior to restart (11)."

In a follow-up report issued seven months later, Rickover noted that his recommendations had been adopted by the chairman of GPU's board and that the corporation had made "significant and noteworthy progress toward adoption of the recommendations (12)...." In his preface, Rickover strongly recommended that "GPU Corporation be authorized to operate TMI-1 without further delay (13)."

In a similar case, Long Island Lighting Co.'s Shoreham nuclear plant has been the object of intense hostility in New York State. Governor Mario Cuomo has called the plant "an enormous threat to our people (14)." Allegations were aired nationally on 60 Minutes that unions involved in construction and security at Shoreham have organized crime connections. In the same program, the safety of the concrete in the nuclear reactor was questioned, and employees testified that NRC inspectors had been unable to do their jobs properly because of union interference (15). The FBI investigated the plant and New York State filed a lawsuit to prevent its operation.

Coming to Shoreham's defense, a group of 16 scientists from Brookhaven National Laboratory spearheaded their own investigation of the nuclear plant "as private citizens." In collaboration with "more than 100 scientists who, over the last 15 years, have spent their own personal time studying Shoreham," the scientists determined that Shoreham is as safe or safer than any of the 90 nuclear plants in commercial operation in the United States (16). They published their findings in a February 1986 report printed

and distributed by a group called Citizens For Shoreham Electricity, which also paid for a large-scale advertising campaign in newspapers and on radio and television urging the public to write for a free copy. Prior to the report, Shoreham had received an NRC low-power testing license, but as of this writing the plant still is awaiting NRC approval to operate at full power.

Shortly after E.F. Hutton had pleaded guilty in May 1985 to 2,000 charges of mail and wire fraud stemming from a check overdraft scheme, the company chairman retained former Attorney General Griffin Bell to investigate the practices that led to the criminal charges, identify the individuals responsible for the practices, and make recommendations concerning those individuals.

While the Justice Department had conducted its own investigation of the securities firm for three years, it had been harshly criticized by Congress and the news media for not seeking indictments against any Hutton officials (17). Despite the fact that the company had paid $2 million in fines and had set aside $8 million to pay restitution to banks, Hutton's chairman said that Bell's inquiry was "the only way to credibly deal with the situation. Any allegations of coverup must be put to rest (18)." He added that the investigation was being undertaken to assure that all employees involved would be treated "fairly and as objectively as possible (19)."

Bell and a staff of 19 from his law firm, King & Spalding, spent three months scrutinizing thousands of documents and

interviewing hundreds of Hutton personnel and representatives of banks and other financial institutions. In September 1985, Bell issued his 183-page report. He implicated 11 regional and branch personnel, including six branch managers who were ordered to pay fines of up to $50,000 each to local charities. At this level, Bell said, there was "criminal wrongdoing" where a "greed instinct took over (20)." As for top management in New York City, he concluded that there was "a management failure, not an ethical failure (21)." For this, it was recommended that one executive be barred from any job involving money management or banking, and that two other top officials receive reprimands (22). Two others gave up their executive positions but remained on the board of directors.

Bell exonerated the chairman and chief executive officer of the securities firm: "Our justification is a matter of proper corporate governance. A corporate officer is, in the performance of his duty and functions, entitled to rely on the decisions, judgments and performance of other officers and employees of the company if the officer believes that such decisions, judgments or performance are within the professional or other competence of such officer or employee (23)."

Finally, Bell recommended that the firm reorganize its board to include a majority of outsiders and that it establish an audit committee (24).

Evaluation

GPU Nuclear's use of the Rickover investigation seems to have done little to persuade those not already convinced of the

company's credibility. In June 1985, more than a year after Rickover's follow-up report, TMI neighbors demonstrated outside the plant to protest the restart of Unit 1 (25). A month earlier, Pennsylvania Governor Dick Thornburgh testified before the NRC that questions concerning falsification of TMI's safety records still had not been answered (26).

In the absence of public opinion polling, it is difficult to assess the short-term impact of the report on citizen publics. However, the lack of any real public promotion of the report would make it logical to conclude that the overall influence would have been negligible.

The NRC continues to make no comment on the report per se, although individual commission members have been interviewed about their post-report opinions. One commissioner who had been urging that operation of TMI be given to another power company, was quoted as saying that the formation of GPU as a new and separate company (one of the strong points made in the report) was "'one of the things they have done right (27).'" Another critic on the commission commented after the report on whether the utility had the competence and integrity to safely operate the plant. "My feeling was and is that the commission has not satisfactorily answered that question (28)." Nonetheless, five weeks after the follow-up report, the NRC approved the restart of TMI-1. It is difficult to make any direct link between the Rickover report and this approval, but one could conclude that the report at least provided additional support for the NRC's ultimate decision.

The news media's reaction to the report was generally neutral and not very extensive. Before the release of the report, a Philadelphia Inquirer story speculated that "a favorable report by someone of Rickover's stature could lend credibility to the company's contention that Unit 1...should be restarted (29)." Quoting NRC Deputy Director Lake Barrett, the report continued: "'Nobody claims that they own him (Rickover),' he said. 'He'll call it like he sees it. When he does speak, I think people on both sides are going to listen (30).'" Four days after the report was released, The Wall Street Journal ran a generally non-committal, nine-paragraph story referring to the investigation as an "integrity inspection" by Rickover, who is "known as a no-nonsense disciplinarian (31)."

There are several possible explanations for the lack of media interest in the TMI report. For one thing, GPU Nuclear distributed the report without holding a news conference. More significantly, there were no new controversies stemming from the report to whet the media's appetite. Though Rickover was noted for being pro-nuclear, his reputation for toughness neutralized any potential charges of a whitewash. Since his $75,000 fee was paid to charities, there was no question of conflict of interest. GPU intended from the beginning to make the report public, so no issues were raised in that regard. Finally, there were no new revelations and no access-to-information problems during the investigation.

It is too soon to evaluate the success of the Brookhaven scientists' investigation of Shoreham. However, there are some

potential issues that could be raised to mar that study. The Brookhaven scientists are identified as unpaid volunteers who conducted the study as "concerned citizens living and working the the area and involved in nuclear issues (32)." The name of one of the scientists appears on the letterhead of Citizens for Shoreham Electricity, a year-old group that describes itself as a grassroots organization of 100,000 citizens primarily from the New York area (33).

When asked, the organization made no secret of the fact that Long Island Lighting contributes to it financially, "as do other interested organizations and people (34)." A spokesperson asserts that Lilco does not set policy for the group (35). Both Lilco and Citizens for Shoreham Electricity became evasive, however, when asked how the organization came into being and how the scientists'investigation was initiated (36). (Most recently, Brookenhaven Labs itself has been embroiled in controversy.) It ertainly would be worthwhile to evaluate this effort after an appropriate period of time.

As for the Bell investigation of E.F. Hutton, The New York Times has called it "unprecedented in its breadth, range of punishments (especially the fines) and publicity (37)." But it is far from unique. Precedent was set for financial institutions to investigate themselves and suggest remedies when scores of them were charged in the mid-1970s with making improper foreign payments and political contributions. The Securities and Exchange Commission, unable to pursue all the cases, offered self-investigation as an option to government action. More than 400

companies accepted the offer. Recently, the Bank of Boston and First Jersey Securities have conducted independent investigations of their own (38).

As the Times notes, "There is still no legal foundation for such corporate attempts to deal with improper conduct. As the Hutton investigation clearly demonstrates, however, they have nonetheless evolved into established, sophisticated systems for doling out what companies hope the courts, regulators and the public will deem to be justice (39)."

While some analysts see internal self-investigation as helpful in restoring credibility, E.F. Hutton has experienced severe difficulties with its attempt. In fact, the investigation has itself generated new hostility against the company. So what went wrong?

In looking for an independent outsider to conduct the investigation, the firm chose Bell because as a former attorney general and federal judge he was considered to be beyond reproach ethically. Bell also had the required legal expertise, staff and resources to match the undertaking. Bell, however, was a senior partner in a law firm that did business with E.F. Hutton (40). The rationale for continuing with the investigation was that it would be difficult to find any major law firm that had not done work for the company (41). But this rationale did not satisfy the news media (42). Bell denied any conflict of interest on the grounds that he had disclosed the association "to the press

and everyone when I was hired (43)." His report also noted that King & Spalding had done and still does legal work for an accounting firm that audited Hutton's books during the time of the illegal bank overdrafts (44).

Right from the beginning, questions were raised as to the fees paid Bell and the ability of a commissioned inquiry to be thorough and objective (45). Initially there was no intention to make the report public, but the furor created by the media and expectations that the report would be leaked prompted the firm to do so (46). Once released, the report was criticized for being contradictory, incomplete and soft on the company, especially top management (47). Business Week made its position clear in the title of its article "The Hutton Investigation: Speaking Softly and Carrying No Stick." In this commentary, the publication noted that "the logic and the conclusions of the report are not very compelling....Bell passed over some crucial questions....And after laying out some rigorous principles of behavior for execuives, Bell proved less than rigorous in applying them (48)."

Nonetheless, Business Week noted that Hutton had moved "swiftly enough" to adopt Bell's suggestions and penalties. "In all likelihood, the Bell report and the steps taken by Hutton mark the beginning of the end of the messy affair....the pronouncements of the highly regarded Bell are likely to foreclose any severe sanctions or further embarrassment for the firm at the hands of federal authorities (49)."

The Wall Street Journal disagreed, noting that Congressional criticisms of the report "means that Hutton likely faces months of additional hearings and public scrutiny by regulators (50)...."

Ironically, in February 1986, Business Week reversed its own optimistic projection for Hutton. A top-level memo turned over late by the company during the government's investigation had become the key to Hutton's guilty plea to fraud charges. According to the magazine, that memo was "now a focal point in the continuing government scrutiny of Hutton, which could lead to new charges against Hutton for obstruction of justice. Such new charges could impede the firm's efforts to recover from the scandal's aftereffects (51)."

While there had been earlier suspicions of an attempted cover-up, and Bell's report criticized the firm for "incompetence (not an intentional withholding) in the collection of documents and the subsequent production of them (52)," Hutton said Business Week was not accurate about the Justice Department reopening the case (53). In fact, the article does do much more rehashing of company problems than making any case for its supposition. Nonetheless, problems of document collection encountered both by the Justice Department and Bell himself raised serious questions of credibility in the media.

Although the company insists it had no choice, some observers speculate that Hutton would have done better to have stopped with its guilty plea rather than calling more attention to itself with the Bell investigation (54). This would have made particular sense if it could have been anticipated that the new investigation

would not reveal anything significantly different from the Justice Department probe, which itself had been highly criticized. By its own admission, Bell's report also made it easier for states to pursue their suits against Hutton (55). The New York Times reported on Sept. 7, 1985, "The Connecticut Attorney General said yesterday that the evidence in the report by Griffin B. Bell on the E.F. Hutton Group Inc.'s illegal check overdrafting scheme had convinced him that the brokerage company ought to have its registration in the state either suspended or revoked--a harsher penalty than had been considered previously....The report, he said, 'significantly strengthens Connecticut's case against Hutton (56).'"

Recommendations

Use of third-party investigations can be effective in strengthening or restoring an organization's credibility, but only if the investigation itself is above reproach. This requires more than an investigation that is impartial in fact; it also must be perceived as being such. While there is no 100 percent assurance of how an investigation will be perceived, there are procedures that will help safeguard both the reality and the appearance of credibility:

1. The board of directors or equivalent policy-making body should commit in advance to implement all recommendations stemming from the investigation. This means it should have a thorough assessment of the risks involved before approving the strategy.

2. The board of directors, as well as all decision-making

levels of the organization, must make absolutely clear their commitment to get at all the facts in the case. There can be no room for disagreement, ambivalence or mixed messages communicated within or outside the organization.

3. The board should commit in advance to make public all findings of the investigation, both positive and negative.

4. In cases where the objectivity of any investigator paid by the organization is likely to be challenged, or where allegations of cover-ups have surfaced in the past, it might be best to use an investigative team. This would allow inclusion of critics as well as neutral observers, dispelling any perceptions of a whitewash.

5. Where governmental or regulatory agencies are involved, give them as much input into the investigative process as possible. Giving them a voice in the selection of the investigator(s) or at least the right to review the choice could add credibility. Input from the agencies on procedures to safeguard the investigation's independence also could be valuable.

6. Provide the investigator with full access to all relevant documents. Establish a strict system for how records will be searched and materials produced. An "oversight" could become a scandal.

7. Give the investigator full access to personnel, and encourage them to actively cooperate with the probe. This may necessitate a guarantee of anonymity or other appropriate safeguards. In criminal investigations, assure due process for

all employees, including the right to have their attorneys present.

8. Allow the investigator full access to inspect facilities and observe operations. Make sure this is communicated and understood by all levels of the organization in advance.

9. If there are any potential legal considerations stemming from the investigation, make sure these are fully assessed, negotiated in advance and included in the agreement with the investigator.

10. Make public, up front, the objectives of the investigation and how it will be conducted. Stress the precautions taken to assure the independence of the investigation. Respond to any questions that may be raised at the onset, and make as many modifications as possible.

ADVERSARIAL ADVOCATES

When an organization is faced with protracted hostility, the problem may never be resolved until the organization accepts the validity of activist concerns and modifies its position in response to those concerns. In doing so, the organization may be able to persuade some of its adversaries to act as its advocates and urge the end of hostilities. This was the experience of the Nestle Corporation, a Swiss-based multinational company that was the object of a seven-year international boycott led by major Protestant churches in America and Europe. The boycott, which lasted until January 1984, stemmed from concerns about methods Nestle used to market its infant formula in Third World countries.

Nestle's problems formally began in 1970 with the convening of a United Nations meeting on infant feeding. Media coverage of the meeting included charges that the sale of infant formula as a breastmilk substitute was the cause of an increase in infant malnutrition and mortality in the developing world.

As the controversy developed, Nestle became the target of a highly critical magazine published in Switzerland. Nestle sued for libel and eventually won, only to realize that it had lost the "war." During the two years it took to pursue the suit, the 16 Swiss defendants toured the United States spreading their criticisms and raising money and support for their cause.

While Nestle was not the only marketer of infant formula, it was the largest and most successful. This fact, coupled with the notoriety from its libel suit, caused Nestle to be singled out for a boycott in 1977. The highly organized ban was coordinated by the Infant Formula Action Coalition (INFACT), and was endorsed by Ralph Nader, Gloria Steinem, Cesar Chavez and Benjamin Spock. Sixty-four organizations in 45 nations were actively involved. As the issue became more and more emotionally charged during the next several years, Nestle came under heavy attack in the media.

At first Nestle proceeded by questioning the motivations of its critics, and by either ignoring or dismissing their concerns and suggestions for corrective action (57). In 1981, however, Nestle began changing its strategy. It started with a

four-step approach: 1) assess the situation, 2) analyze the opposition, 3) develop strategies, and 4) take action (58).

Nestle determined that there was no dispute with the quality of its infant formula. The issues centered on safe use of the product (use with contaminated water, overdilution and lack of refrigeration), and appropriate marketing to avoid glamorizing the product. The company decided it would deal directly with the issues, as opposed to attacking the credibility and motives of its opponents, as it previously had done (59). Nestle also had to determine exactly what its atitudes and commitments were concerning the issues. This required the involvement and cooperation of top corporate management (60).

In analyzing its opposition, Nestle identified the kinds of individuals and institutions that were fighting the company. Then it carefully studied their objectives and motivations, both stated and inarticulated. The stated objectives were to have Nestle reform its marketing practices in the Third World. Nestle determined that there were some groups whose stated objectives were only a cover for goals unrelated to infant health (for example, to challenge capitalism). With others, the stated and inarticulated objectives were the same. Nestle focused its attention on these groups and those with objectives similar to its own (61).

For the next phase, Nestle developed four primary strategies:

1. To regain, and in some cases, establish its credibility as an ethical company committed to doing what was right.

2. To establish a clear standard of what was right.

3. To regain the initiative from its critics and control the direction of the issue.

4. To create and leave in place an unimpeachable base of objective evaluation of its actions (62).

The company proceeded by endorsing the World Health Organization (WHO) Code of Marketing for Breastmilk Substitutes on the day it was passed in 1981. Nestle then issued instructions to its field personnel to implement the code. Its representatives also testified before Congress on behalf of the code, circulating a copy of the text of its testimony along with a personal letter to 80,000 religious leaders in the United States. When the International Nestle Boycott Committee (INBC) differed with Nestle's interpretation of the code, specifically regarding warning label statements and distribution of free samples to health institutions, Nestle met with WHO and UNICEF for clarification (63).

After a careful analysis of its various opposition groups, Nestle had targeted the United Methodists, a denomination which officially was neutral but whose members individually had endorsed the boycott. Nestle prepared a formal written memorandum for the United Methodist's Infant Formula Task Force, spelling out the differences that existed between them and stating the general principles Nestle was prepared to follow. Next Nestle offered the task force access to some of the company's private files and documents to help clarify the issues and the way the company had

addressed them. Nestle's CEO and deputy CEO met with the task force to answer questions and to state their committment to the WHO Code (64).

Originally, Nestle had asked the Methodist task force to act as a neutral hotline to receive complaints against the company (65). When that request was denied, the company formed the Nestle Infant Formula Audit Commission, an independent body chaired by former Senator Edmund S. Muskie and charged with auditing the company's infant formula marketing practices. The ongoing commission is enpowered to investigate allegations of code violations (66).

Evaluation

Nestle's use of third-party credibility, which was a combination of outside investigation and adversarial advocacy, was the key to getting the boycott lifted. But it should be noted that it was essential for Nestle to change its attitude and approach toward its adversaries, to take specific actions to modify its marketing procedures, and to negotiate over a period of several years before the third-party endorsement was forthcoming. It also had to make its records available to its adversaries to prove its good faith. Only after conducting its investigation of Nestle, did the United Methodist Task Force on Infant Formula recommend to the General Council on Ministries that it not boycott the company. It called on other religious groups to leave the boycott (67). On January 25, 1984, the International Nestle Boycott Committee suspended its worldwide ban of Nestle products.

At a news conference in New York City the next day, the chairperson of INFACT ate a Nestle Crunch candy bar to symbolize that the boycott was over (68).

The Muskie audit commission--Nestle's "unimpeachable base of objective evaluation of its actions"--was also helpful in reinforcing the credibility of the company. In its first year and a half of operation, the commission investigated 97 allegations against Nestle (69). Frequently the company had to modify its practices in response to commission concerns. The United Methodist Reporter praised the commission as a new direction for resolving disputes over corporate responsibility (70).

Recommendations

Use of adversarial advocacy to counter protracted hostility can be successful only if the organization approaches the situation with objectivity and a sincere willingness to compromise. In assessing its position, the organization must be willing to accept that:

1. It may deserve its loss of image or credibility because it is a poor communicator.

2. Its position on the issues contributing to the hostility may be faulty, or at least unresponsive to legitimate public concerns.

3. Its policies or practices may need to be revised.

Staying objective allows the organization to listen to what its publics are saying, to identify who is hostile and to find out why. In doing so, the organization needs to ask:

4. Are the expressed reasons for the hostility the same as the latent ones?

5. Are there genuine misunderstandings about the organization, its policies or actions?

6. Are there valid concerns being expressed?

7. Are there areas of agreement that can be addressed?

Targeting adversarial publics to work with requires knowing:

8. Which ones have the most stake in the problem.

9. Which have the most potential impact or are contributing the most to the hostility.

10. Which ones can be influenced.

11. Which have concerns and needs which best complement the organization's objectives.

Finally, in dealing with adversaries:

12. Respect their rights to oppose the organization and express their concerns.

13. Recognize that their concerns are real, no matter how seemingly uninformed or misdirected they may appear.

14. Identify the valid points in their concerns or accusations, and acknowledge them. This identification may occur in the negotiation process, so keep an open mind during discussions.

15. Recognize that the organization's view of social responsibility may not be the same as its publics'.

16. Look for areas of agreement that can be the basis for compromise.

17. Be prepared for a long-term commitment to solving the problem.

EMPLOYEE DISSEMINATORS

It's an interesting phenomenon that employees, regardless of their position with an organization, are considered to be "experts" on its operation and problems. Relatives, friends, neighbors, other employees and the media seek information from workers. Based on observation and experience, this study contends that in a hostile environment employees sometimes play a third-party role in which to varying degrees they are viewed as separate and apart from the organizational management that is under attack. In such cases, employees actually may have more credibility than the organization's official spokespersons. Employees armed with factual information and goodwill can do more to persuade and change opinion during hostility than all the news conferences, publications and special events at an organization's disposal.

When the news broke in September 1982 that seven persons in Chicago had died after taking cyanide-laced Tylenol capsules, Johnson & Johsnon and McNeil Consumer Products Company (the division that manufactures Tylenol) made employee communications a top priority. On the first day of the crisis, a one-page report went out to all employees telling them what was known and asking them to be patient for a couple of days until all information could be obtained. (It was several days before it was known for sure that the poison did not originate in the plant and that the problem was limited to Chicago.) The key to this first

communication was the company's recognition that employees were upset and its promise to keep them updated.

From September to December, employees and retirees were kept informed through in-plant meetings and a series of special newsletters with a "We're Coming Back" logo. About six of these publications, which could be prepared within two hours of developments thanks to a word processor, were issued over a six-week period. Johnson & Johnson also produced about a half-dozen special edition video tapes and two general information updates made available through its worldwide video network. McNeil's Director of Communications says the company was very aware that it was giving employees answers they could give to their friends and neighbors--"ammunition to fight back with," as she put it (71).

The company also stressed the need for one-on-one, word-of-mouth support. McNeil's manager of employee communications said, "It was important that people in the community be told the facts as we understood them. If they (employees) heard of confusion or wavering brand loyalty among family or friends we asked them to set the record straight (72)."

Evaluation

Employees responded to J & J and McNeil's communications efforts by volunteering to help the company in a variety of different ways. They manned consumer "hot lines" to help answer the thousands of calls that poured in during the first weeks after the tragedy. More than 100 employees a day rotated through three

shifts to keep the dozen "hot lines" going nonstop. They also helped with stuffing mail and returning calls to media contacts. They even formed an ad hoc employee morale committee that, among other things, came up with a thumbs-up badge reading "We're coming back." (The buttons were made by an outside company in California in a day and a half--free of charge, a gift from the manufacturer (73).)

When ABC news interviewed some wage employees about the crisis, they responded with very positive messages:

--They were proud to work for J&J.

--They were proud of Tylenol.

--They wanted the public to know Tylenol was a safe product.

--They took any attacks on the product as a personal affront: "Insult my brand, insult me (74)."

This kind of involvement, encouraged by open communications, not only enhanced the credibility of the company externally but also helped offset the sense of hopelessness that can undermine employee pride and loyalty internally. While the company made no effort to formally assess the impact of the employee third-party credibility externally, McNeil's director of communications stated without hesitation, "We wouldn't have come back without it (75)."

Recommendations

Too often an organization facing crisis becomes all-consumed with what critics and the media are thinking or saying or writing. In the meantime, it ignores essential publics like employees. The danger in this is that in order to preserve their "expert" status,

employees likely will comment on issues whether they have all the information or not. If employees are going to talk, it is far better that they communicate facts instead of rumors or speculation. More positively, as was seen in the Tylenol case, employees can provide valuable grass-roots credibility. But only if they are communicated with openly and honestly:

1. Employees must fully understand the nature of the organization's problem, and what is being done to counter it.

2. They must be told all sides of the issue--both what the opposition is saying and what the organization considers to be true and not true.

3. They must be told the facts before they read it or hear it in the media.

McNeil and Johnson & Johnson had an advantage in their use of employee third-party credibility because they had a real sense of community already in place. The J&J credo, developed in the 1940s and mentioned so often during the crisis, required responsible dealings not only with the public but also with employees and shareholders. This underscores two related points:

4. It is estremely difficult, if not impossible, to generate effective employee third-party credibility where open lines of communication and mutual trust do not already exist.

5. While fast-breaking crises often require emergency measures such as J&J's "We're Coming Back" newsletter, it is far better to use channels with an established credibility when communicating internally during protracted hostility.

CONCLUSIONS

Third-party credibility as a public relations strategy to counter the negative effects of hostility is increasing in use and sophistication. However, it is far from a panacea for problems. It requires a serious degree of commitment on the part of management and a deep involvement of third parties in the organization's operations. The risks that are involved in this strategy are many and must be understood fully and weighed carefully before proceeding.

This paper, through an analysis of recent public relations case studies, has attempted to identify some of the risks and to make general recommendations on how to minimize them. But, like Bell's probe of E.F. Hutton, it probably has raised more questions than it has answered. Some areas that require further study include:

--Use of different types of third-party credibility in fear-generated hostility, including cases where the organization is not clearly blameless.

--Use of employee credibility where formal opinion research is used to verify results.

--Use of public participation in other than preventative applications, i.e., where hostility is protracted.

--Use of outside investigations as a preventative measure before official probes are conducted or determinations of guilt are made.

--Identification of variables that affect perceptions of neutrality of outside investigators, especially the issue of payment.

--Application of third-party credibility to counter hostile rumors.

--The third-party role of employees in hostile situations.

In addition, many of the cases presented in this paper are recent and need to be analyzed again later to verify conclusions. Cases also need to be targeted early so that research can include educator-initiated opinion polling to formally assess the impact on significant publics.

The possibilities for study of hostility and use of third-party credibility are endless and the potential benefits to applied public relations well worth the effort. In short, the subject is fascinating, but the work has just begun.

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